



Michael D. Peroo CPA, PA

Exceeding Expectations

CITY OF LEBO, KANSAS

**Financial Statements for the
Year Ended December 31, 2015
And Independent Auditors' Report**

CITY OF LEBO, KANSAS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Summary of Cash Receipts and Cash Disbursements	3
Summary of Cash Disbursements - Actual and Budget	4
General Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	5
Economic Development Fund - Statement of Cash Receipts and Disbursements - Actual	6
Law Enforcement Fund - Statement of Cash Receipts and Disbursements -- Actual and Budget	7
Employee Benefit Fund-Statement of Cash Receipts and Disbursements-Actual and Budget	8
Special Highway Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	9
Special Liability Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	10
Park and Recreation Fund- Statement of Cash Receipts and Disbursements -- Actual and Budget	11
Capital Improvement Reserve Fund - Statement of Cash Receipts and Disbursements - Actual	12
Municipal Equipment Reserve Fund - Statement of Cash Receipts and Disbursements - Actual	13
Gas Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	14
Water Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	15
Sewer Fund - Statement of Cash Receipts and Disbursements - Actual and Budget	16
Solid Waste Fund - Statement of Cash Receipts and Disbursements -- Actual and Budget	17
Notes to Financial Statements	18- 27
SUPPLEMENTAL INFORMATION	
Schedule of Selected Utility Statistics	28
Schedule of Other Statistics	29
Summary of Insurance In Force	30



Exceeding Expectations

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lebo, Kansas

We were engaged to audit the accompanying financial statements of the City of Lebo, Kansas (City), as of December 31, 2015 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Opinion

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

Opinion

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Lebo, Kansas, as of December 31, 2015, or the results of its operations for the year then ended.

Other Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United State of America, the *Kansas Municipal Audit and Accounting Guide*. Our opinion is modified with respect to this matter

Report on Supplementary Information

The supplemental schedules for the year ended December 31, 2015, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Michael D. Peroo, CPA, PA

February 12, 2016

Leavenworth, Kansas

Michael D. Peroo, CPA

Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

CITY OF LEBO, KANSAS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS YEAR ENDED DECEMBER 31, 2015

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Fund	\$ 230,447	\$ 444,214	\$ 388,332	\$ 286,329
Special Revenue Funds:				
Economic Development Fund	28,974	45,456	9,000	65,430
Law Enforcement Fund	9,767	6,687		16,454
Employee Benefit Fund	15,028	40,057	41,637	13,448
Special Highway Fund	1,708	24,036	25,660	84
Special Liability Fund	3,898		2,071	1,827
Special Park and Recreation Fund	16,483	40,268	33,323	23,428
Capital Project Funds				
Capital Improvement Reserve	177,521	15,000	-	192,521
Municipal Equipment Reserve	54,000	10,000		64,000
Enterprise Funds				
Gas Fund	305,819	231,493	234,953	302,359
Water Fund	162,802	226,589	213,101	176,290
Sewer Fund	182,264	85,753	92,912	175,105
Solid Waste	9,574	64,160	61,891	11,843
Total Reporting Entity	\$ <u>1,198,285</u>	1,233,713	1,102,880	\$ <u>1,329,118</u>
Less Transfers:		<u>50,000</u>	<u>50,000</u>	
Net Receipts and Disbursements		\$ <u>1,183,713</u>	\$ <u>1,052,880</u>	

COMPOSITION OF CASH:

Farmers State Bank of Aliceville - Operating Account	\$ 1,177
Farmers State Bank of Aliceville -Savings	1,247,402
Farmers State Bank of Aliceville - Debit Card	646
Farmers State Bank of Aliceville - Economic Development	65,430
Farmers State Bank of Aliceville - Utility Deposit Savings	14,443
Cash Drawer	<u>20</u>
	\$ <u>1,329,118</u>

CITY OF LEBO, KANSAS

SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>Cash</u> <u>Disbursements</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
General Fund	\$ 388,332	\$ 548,864	\$ 160,532
Special Revenue Funds:			
Law Enforcement Fund		9,800	9,800
Employee Benefit Fund	41,637	45,000	3,363
Special Highway Fund	25,660	27,750	2,090
Special Liability Fund	2,071	2,071	
Special Parks and Recreation Fund	33,323	59,400	26,077
Enterprise Funds:			
Gas Fund	234,953	250,850	15,897
Water Fund	213,101	225,994	12,893
Sewer Fund	92,912	93,437	525
Solid Waste Fund	61,891	62,720	829
Total Budgeted Funds	<u>1,093,880</u>	\$ <u>1,325,886</u>	\$ <u>232,006</u>
Non Budgeted Funds:			
Economic Development	<u>9,000</u>		
Total Non Budgeted Funds	<u>9,000</u>		
Total Cash Disbursements	\$ <u>1,102,880</u>		

CITY OF LEBO, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2015

	2014 Actual	2015 Actual	2015 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Property Tax	\$ 108,415	\$ 105,539	\$ 105,323	\$ 216
Sales Tax	91,168	87,313	85,000	2,313
Motor Vehicle Tax	17,567	19,192	16,468	2,724
Intergovernmental Receipts	155,710	155,710	155,710	
Franchise Tax	27,459	26,470	25,000	1,470
Licenses and Fees	5,365	5,419	5,000	419
Swimming Pool	10,798	9,107	11,000	(1,893)
Fines	952	3,627	750	2,877
Reimbursements and other	2,424	6,155	500	5,655
Transferred In	44,836	25,000	25,000	
Interest on Idle Funds	612	682	1,000.00	(318)
Total Cash Receipts	465,306	444,214	\$ 430,751	\$ 13,463
CASH DISBURSEMENTS:				
General Administration:				
Personnel Services	33,232	35,786	36,500	714
Contractual Services	25,735	28,233	35,000	6,767
Commodities	25,835	19,635	24,000	4,365
Miscellaneous	10,779	182	3,000	2,818
Capital Outlay		2,850	3,000	150
	95,581	86,686	101,500	14,814
Law Enforcement				
Personnel Services	50,921	55,441	54,000	(1,441)
Contractual Services	10,193	9,103	10,500	1,397
Commodities	16,874	11,287	20,000	8,713
Capital Outlay	-	9,293	4,000	(5,293)
	77,988	85,124	88,500	3,376
Street Lights				
Contractual Services	16,049	16,013	17,000	987
	16,049	16,013	17,000	987
Parks and Recreation				
Personnel Services	2,778	2,601	4,000	1,399
Contractual Services	4,800	4,800	6,200	1,400
Commodities	21,226	17,402	20,000	2,598
	28,804	24,803	30,200	5,397
Infrastructure	181,988	116,427	245,414	128,987
	181,988	116,427	245,414	128,987
Swimming Pool				
Personnel Service	20,627	19,708	21,000	1,292
Contractual Service	1,488	100	2,000	1,900
Commodities	13,316	11,128	13,000	1,872
Commodities-concessions	2,339	1,775		(1,775)
Sales Tax	197	144	250	106
Capital Outlay	370	1,424	5,000	3,576
	38,337	34,279	41,250	6,971
Transfer Out	37,000	25,000	25,000	-
	37,000	25,000	25,000	-
Total Cash Disbursements	475,747	388,332	\$ 548,864	\$ 160,532
Receipts over (under) Disbursements	(10,441)	55,882		
CASH, BEGINNING BALANCE	240,888	230,447		
CASH, ENDING BALANCE	\$ 230,447	\$ 286,329		

CITY OF LEBO, KANSAS

ECONOMIC DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2015

	2014	2015
CASH RECEIPTS:		
Loan Payments	\$ 42,001	\$ 35,828
Interest Payments	7,957	9,328
Miscellaneous	<u>100</u>	<u>300</u>
Total Cash Receipts	50,058	45,456
CASH DISBURSEMENTS:		
Transfer Out	7,836	9,000
Contracual	164	
Economic Development Loan	<u>104,500</u>	<u></u>
Total Cash Disbursements	<u>112,500</u>	<u>9,000</u>
Receipts over (under) Disbursements	(62,442)	36,456
CASH, BEGINNING BALANCE	<u>91,416</u>	<u>28,974</u>
CASH, ENDING BALANCE	\$ <u><u>28,974</u></u>	\$ <u><u>65,430</u></u>

CITY OF LEBO, KANSAS

LAW ENFORCEMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
County Tax	\$ <u>5,333</u>	\$ <u>6,687</u>	\$ <u>6,556</u>	\$ <u>131</u>
Total Cash Receipts	5,333	6,687	<u>\$ 6,556</u>	<u>\$ 131</u>
CASH DISBURSEMENTS:				
Capital Outlay	<u> </u>	<u> </u>	<u>9,800</u>	<u>9,800</u>
Total Cash Disbursements	<u>-</u>	<u> </u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>
Receipts over Disbursements	5,333	6,687		
CASH, BEGINNING BALANCE	<u>4,434</u>	<u>9,767</u>		
CASH, ENDING BALANCE	<u>\$ 9,767</u>	<u>\$ 16,454</u>		

CITY OF LEBO, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>41,806</u>	\$ <u>40,057</u>	\$ <u>38,972</u>	\$ <u>1,085</u>
Total Cash Receipts	41,806	40,057	\$ <u><u>38,972</u></u>	\$ <u><u>1,085</u></u>
CASH DISBURSEMENTS:				
Employee Benefit	<u>34,093</u>	<u>41,637</u>	<u>45,000</u>	<u>3,363</u>
Total Cash Disbursements	<u>34,093</u>	<u>41,637</u>	\$ <u><u>45,000</u></u>	\$ <u><u>3,363</u></u>
Receipts over (under) Disbursements	7,713	(1,580)		
CASH, BEGINNING BALANCE	<u>7,315</u>	<u>15,028</u>		
CASH, ENDING BALANCE	\$ <u><u>15,028</u></u>	\$ <u><u>13,448</u></u>		

CITY OF LEBO, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
State Tax	\$ 23,874	\$ 24,036	\$ 23,920	\$ 116
Total Cash Receipts	23,874	24,036	<u>\$ 23,920</u>	<u>\$ 116</u>
CASH DISBURSEMENTS:				
Personnel Services	13,819	14,125	12,750	(1,375)
Contract Expense		-		-
Commodities	<u>14,453</u>	<u>11,535</u>	<u>15,000</u>	<u>3,465</u>
Total Cash Disbursements	<u>28,272</u>	<u>25,660</u>	<u>\$ 27,750</u>	<u>\$ 2,090</u>
Receipts under Disbursements	(4,398)	(1,624)		
CASH, BEGINNING BALANCE	<u>6,106</u>	<u>1,708</u>		
CASH, ENDING BALANCE	<u>\$ 1,708</u>	<u>\$ 84</u>		

CITY OF LEBO, KANSAS

SPECIAL LIABILITY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>213</u>	\$ <u>-</u>	\$ <u> </u>	\$ <u>-</u>
Total Cash Receipts	213	-	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
CASH DISBURSEMENTS:				
Contractual Services	<u>1,726</u>	<u>2,071</u>	<u>2,071</u>	<u>-</u>
Total Cash Disbursements	<u>1,726</u>	<u>2,071</u>	\$ <u><u>2,071</u></u>	\$ <u><u>-</u></u>
Receipts under Disbursements	(1,513)	(2,071)		
CASH, BEGINNING BALANCE	<u>5,411</u>	<u>3,898</u>		
CASH, ENDING BALANCE	\$ <u><u>3,898</u></u>	\$ <u><u>1,827</u></u>		

CITY OF LEBO, KANSAS

PARK AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Coffey County Receipt	\$ 37,868	\$ 37,868	\$ 37,868	\$
Miscellaneous	<u>1,625</u>	<u>2,400</u>		<u>2,400</u>
Total Cash Receipts	39,493	40,268	<u>\$ 37,868</u>	<u>\$ 2,400</u>
CASH DISBURSEMENTS:				
Personal Cost	5,376	6,085	5,400	(685)
Contractual Service	8,360	8,858	10,000	1,142
Commodities	16,193	18,380	16,000	(2,380)
Capital Outlay	<u>11,856</u>	<u>-</u>	<u>28,000</u>	<u>28,000</u>
Total Cash Disbursements	<u>41,785</u>	<u>33,323</u>	<u>\$ 59,400</u>	<u>\$ 26,077</u>
Receipts over (under) Disbursements	(2,292)	6,945		
CASH, BEGINNING BALANCE	<u>18,775</u>	<u>16,483</u>		
CASH, ENDING BALANCE	<u>\$ 16,483</u>	<u>\$ 23,428</u>		

CITY OF LEBO, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2015

	2014	2015
CASH RECEIPTS:		
Transferred from General	\$ 27,000	\$ 15,000
Total Cash Receipts	<u>27,000</u>	<u>15,000</u>
CASH DISBURSEMENTS:		
Total Cash Disbursements	<u>-</u>	<u>-</u>
Receipts over Disbursements	<u>27,000</u>	<u>15,000</u>
CASH, BEGINNING BALANCE	150,521	177,521
CASH, ENDING BALANCE	\$ <u><u>177,521</u></u>	\$ <u><u>192,521</u></u>

CITY OF LEBO, KANSAS

MUNICIPAL EQUIPMENT RESERVE FUND STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2015

	2014	2015
CASH RECEIPTS:		
Transferred from General	\$ 10,000	\$ 10,000
Total Cash Receipts	<u>10,000</u>	<u>10,000</u>
CASH DISBURSEMENTS:		
Total Cash Disbursements	<u>-</u>	<u>-</u>
Receipts over Disbursements	10,000	10,000
CASH, BEGINNING BALANCE	<u>44,000</u>	<u>54,000</u>
CASH, ENDING BALANCE	<u>\$ 54,000</u>	<u>\$ 64,000</u>

CITY OF LEBO, KANSAS

GAS FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 278,854	\$ 227,610	\$ 275,000	\$ (47,390)
Sales Tax	4,492	3,372	4,000	(628)
Interest Income	4	4		4
Reimbursed Expenses and Other Income	<u>4</u>	<u>507</u>		<u>507</u>
Total Cash Receipts	283,354	231,493	\$ <u>279,000</u>	\$ <u>(47,507)</u>
CASH DISBURSEMENTS:				
Personnel Services	58,516	63,129	65,300	2,171
Contractual Services	154,523	141,918	147,500	5,582
Commodities	16,985	11,433	18,000	6,567
Stored Gas Property Tax	2	5	50	45
Sales Tax and Other	4,491	3,468	5,000	1,532
Transfer	15,000	15,000	15,000	-
Capital Outlay	<u></u>	<u>-</u>	<u></u>	<u>-</u>
Total Cash Disbursements	<u>249,517</u>	<u>234,953</u>	\$ <u>250,850</u>	\$ <u>15,897</u>
Receipts over (under) Disbursements	33,837	(3,460)		
CASH, BEGINNING BALANCE	<u>271,982</u>	<u>305,819</u>		
CASH, ENDING BALANCE	\$ <u>305,819</u>	\$ <u>302,359</u>		

CITY OF LEBO, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Water Sales - Customer	\$ 225,772	\$ 224,934	\$ 221,000	\$ 3,934
Sales tax	815	895	750	145
Reimbursed Expenses and Other Income	1,787	757	2,700	(1,943)
Interest on Idle Funds	<u>3</u>	<u>3</u>		<u>3</u>
Total Cash Receipts	228,377	226,589	<u>\$ 224,450</u>	<u>\$ 2,139</u>
CASH DISBURSEMENTS:				
Personnel	56,899	65,550	61,700	(3,850)
Contractual Services	121,201	109,297	114,920	5,623
Commodities	22,583	10,809	20,000	9,191
Debt Service		25,346	25,374	28
Other	2,893	2,099	4,000	1,901
Capital Outlay	<u>56,870</u>			
Total Cash Disbursements	<u>260,446</u>	<u>213,101</u>	<u>\$ 225,994</u>	<u>\$ 12,893</u>
Receipts over (under) Disbursements	(32,069)	13,488		
CASH, BEGINNING BALANCE	<u>194,871</u>	<u>162,802</u>		
CASH, ENDING BALANCE	<u>\$ 162,802</u>	<u>\$ 176,290</u>		

CITY OF LEBO, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 83,871	\$ 84,797	\$ 88,000	\$ (3,203)
Special Assessments	<u>956</u>	<u>956</u>	<u>956</u>	
Total Cash Receipts	84,827	85,753	<u><u>\$ 88,956</u></u>	<u><u>\$ (3,203)</u></u>
CASH DISBURSEMENTS:				
Personnel Services	19,521	22,369	27,540	5,171
Contractual Services	4,308	10,866	4,500	(6,366)
Commodities	13,958	18,280	20,000	1,720
Debt Service	31,397	31,397	31,397	-
Transfer to General	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Cash Disbursements	<u>79,184</u>	<u>92,912</u>	<u><u>\$ 93,437</u></u>	<u><u>\$ 524</u></u>
Receipts over (under) Disbursements	5,643	(7,159)		
CASH, BEGINNING BALANCE	<u>176,621</u>	<u>182,264</u>		
CASH, ENDING BALANCE	<u><u>\$ 182,264</u></u>	<u><u>\$ 175,105</u></u>		

CITY OF LEBO, KANSAS

SOLID WASTE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2015

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ <u>61,693</u>	\$ <u>64,160</u>	\$ <u>64,000</u>	\$ <u>160</u>
Total Cash Receipts	61,693	64,160	<u>\$ 64,000</u>	<u>\$ 160</u>
CASH DISBURSEMENTS:				
Contractual Services	59,495	61,891	62,720	829
Transfers Out	<u>12,000</u>	<u>-</u>		
Total Cash Disbursements	<u>71,495</u>	<u>61,891</u>	<u>\$ 62,720</u>	<u>\$ 829</u>
Receipts over (under) Disbursements	(9,802)	2,269		
CASH, BEGINNING BALANCE	<u>19,376</u>	<u>9,574</u>		
CASH, ENDING BALANCE	<u>\$ 9,574</u>	<u>\$ 11,843</u>		

CITY OF LEBO, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Lebo, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2015.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has approved a resolution to prepare the financial statements on a cash basis.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not

presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of Hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2015.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Comparative Amounts - The amounts shown for the year ended December 31, 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

2. DEPOSITS

At December 31, 2015 the carrying amounts of the City's deposits were \$1,328,843 and the bank balances were \$1,347,596. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

3. TAXES

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2015, the City received the following from county and state taxes:

	General Fund	Law Enforcement	City Special Liability	Special Highway Fund	Employee Benefit Fund	Totals
Property Taxes	\$ 105,539	\$ 5,875	\$	\$	\$ 33,697	\$ 145,111
Motor Vehicle Taxes	19,192	813			6,360	26,365
Sales Taxes	87,314					87,314
State Highway Aid				24,036		24,036
	<u>\$ 212,045</u>	<u>\$ 6,688</u>	<u>\$ 0</u>	<u>\$ 24,036</u>	<u>\$ 40,057</u>	<u>\$ 282,826</u>

The mill levies are as follows:

	2015	2014
General Fund	<u>31.363</u>	<u>31.363</u>

The assessed valuation for 2015 was \$4,617,342 and \$4,653,046 in 2014.

4. UTILITIES

The City provides water, sewer, gas and trash services. The City mails their utility bills between the 23rd and the 25th of each month. The utility bills are due by the 1st of the following month. Bills not paid by the 10th are subject to a late charge fee of 10%. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$50 before turning the water back on.

The water rates for 2015 are as follows:

Inside City (residential):

0-1,000 gallons	\$ 15.00
All above 1,000 gallons	\$ 9.75 per 1,000 gallons
Minimum bill	\$ 15.00

Outside City and Commercial:

0-1,000 gallons	\$ 25.50
All above 1,000 gallons	\$ 10.50 per 1,000 gallons
Minimum bill	\$ 25.50

Wholesale

0 - 10,000	\$ 9.75 per 1,000 gallons
11,000 - 100,000	\$ 7.25 per 1,000 gallons
101,000 - 250,000	\$ 6.25 per 1,000 gallons
all above 250,000	\$ 5.25 per 1,000 gallons

Any person making application for water service is required to make a deposit of \$75.

The sewer rates for 2015 are as follows:

\$15 for the first 1,000 gallons and \$.70 for each additional 1,000 gallons.

The trash rates for 2015 are as follows:

\$13.25 per month for residential solid waste removal.

The gas rates for 2015 are as follows:

\$5.34 per 1,000 cubic feet over the cost of gas per 1,000 MMBTU and the transportation charges per month.

Any person making application for gas service is required to make a deposit of \$200.

5. LONG-TERM DEBT

The City's long-term debt is comprised of two loans from Kansas Department of Health.

Kansas Water Pollution Control Revolving Fund

In July 2005, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a sewer main extension. The total cost of the project was \$467,079.

The amount of the loan is up to \$467,079 (\$257,143 and \$280,143 outstanding at December 31, 2015 and 2014, respectively) bearing interest at a rate of 2.81%, principal and interest payments made on a semi-annual basis beginning one year after the completion of the project.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 280,143
Payments	<u>23,000</u>
Ending Balance	\$ <u>257,143</u>
Interest Payments	\$ <u>8,398</u>
Total Payments	\$ <u>31,398</u>

Payments subsequent to 2015:

	Principal	Interest	Total
2016	\$ 23,709	7,689	31,398
2017	24,440	6,958	31,398
2018	25,193	6,205	31,398
2019	25,970	5,428	31,398
2020	26,771	4,627	31,398
2021	27,596	3,802	31,398
2022	28,447	2,951	31,398
2023	29,324	2,074	31,398
2024	30,229	1,169	31,398
2025	<u>15,462</u>	<u>238</u>	<u>15,700</u>
	\$ <u>257,143</u>	\$ <u>41,138</u>	\$ <u>298,281</u>

Kansas Water Supply Revolving Fund

In December 2012, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the replacement of approximately 7,000 feet of aging asbestos cement waterlines with PVC waterlines and install an altitude valve on the elevated storage tank. The total cost of the project was estimated at \$406,496.

The amount of the loan is up to \$409,864 (\$393,281 and \$409,864 outstanding at December 31, 2015 and 2014, respectively) bearing interest at a rate of 2.16%, principal and interest payments made on a semi-annual basis beginning February 1, 2015.

Payments subsequent to 2015:

	Principal	Interest	Total
2016	\$ 16,942	8,404	25,346
2017	17,310	8,036	25,346
2018	17,686	7,660	25,346
2019	18,070	7,276	25,346
2020	18,463	6,883	25,346
2021	18,864	6,482	25,346
2022	19,273	6,073	25,346
2023	19,692	5,654	25,346
2024	20,119	5,227	25,346
2025	20,556	4,790	25,346
2026	21,003	4,343	25,346
2027	21,459	3,887	25,346
2028	21,925	3,421	25,346
2029	22,401	2,945	25,346
2030	22,888	2,458	25,346
2031	23,385	1,961	25,346
2032	23,892	1,454	25,346
2033	24,411	935	25,346
2034	24,944	402	25,346
	<u>\$ 393,281</u>	<u>\$ 88,290</u>	<u>\$ 481,572</u>

6. CONTRACTS

In 1994, the City entered into a 40-year agreement with Public Wholesale District No. 12, (District) to buy a minimum amount of 3,000,000 gallons per month. The City is to pay the District \$3.42 per 1,000 gallons purchased. Starting January 2006, the rate per 1,000 increased to \$3.45. In December 2007 there was another amendment to the contract when the City of Lebo annexed customers of Coffey County RWD #3 that were within the District's territory. In December 2012 the contract was amended to reduce the minimum to 1,750,000 gallons per month, and the maximum to 3,500,000 per month. The District increased the water rate from \$3.75 to \$4.00 in 2013. In 2015 and 2014, respectively, the City purchased 21,000,000 and 22,703,000 gallons from the Public Wholesale District.

In January 2012, the City entered into a ten-year contract with the Kansas Department of Wildlife. In the contract, the City agrees to allow public fishing access on certain tracts of water and the Department of Wildlife will pay the City \$4,075, annually.

The City has contracted with Maguire Iron Co, Inc. to provide maintenance on the 100,000 gallon water towers and 50,000 gallon water towers for nine years. The City's contract began in 2013 and will be payable every other year in the amount of \$1,550 and \$1,350, respectively.

In October 2013, the City (lessor) entered into a lease agreement with Amber Miller-Barrett and Cody Barrett (lessee) to lease a commercial building for \$100 annually for five years with an option to purchase at the end of the lease term.

In January 2014, the City entered into a contract with USDI to inspect and maintain the gas system annually. The City will pay \$4,800 annually.

In February 2014, the City entered in to a contract with USDI to complete paperwork and reports related to the gas system. The City will pay \$4,920 annually.

In September 2014, the City (lessor) entered into a lease agreement with Reed Company, LLC (lessee) to lease 4.9 acre tract of land for \$100 annually. The term of the lease is five years. At the end of the lease, the lessee will have the option to purchase the property for \$13,200. The City deeded the property to the lessee in 2015.

In March 2015 the City entered into a one-year contract with Steve's Trash to collect and dispose of solid waste inside the corporate City limits for \$12.75 per customer, per month.

In October 2015 the City entered into a contract with Kramer Consulting LLC for engineering fees of \$9,900 and project representative fees of \$9,200 both of which were related to the Water Line Exention in the Industrial Park area. The project was started in 2015 and the fees are to be paid in 2016.

In March 2015, the City (lessor) entered into a lease agreement with Troy Friend, (lessee) to lease a metal building for \$100 annually. The term of the lease is one year with the option to renew for an additional year.

7. COMPENSATED ABSENCES FOR EMPLOYEES

Full time employees of the City will be eligible for vacation and sick leave after six months of service. Eligible employees shall take at least 6 vacation days each year. An employee may carry-over vacation days to the next year, with a maximum carry-over amount allowance of 30 days.

<u>Years of Service</u>	<u>Per year</u>
0-9 years	1 day per month
10-19 years	1 ½ day per month
After 19	2 days per month

Full time employees will receive a maximum of 2 weeks (10 working days) paid sick leave per year. Sick leave is cumulative up to a maximum of 480 hours. On termination an employee will receive one sixth (1/6) a maximum of 80 hours accrued sick leave paid. At December 31, 2015 City employees had a combined balance of 1,341 hours of sick leave, a cash value of \$24,764 and a balance of 721 hours of vacation leave, a cash value of \$13,032.

8. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, gas and trash to customers located in Coffey County in Kansas. The City grants credit to those customers and requires no collateral.

9. CAPITAL PROJECTS

The City spent the following on capital items in 2015:

Swimming Pool - racing lane reel	\$ 1,424
Website update	2,850
Lights and equipment for police vehicle	4,964
Body cameras and related equipment	4,329
	<u>\$ 13,567</u>

10. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2015 for the funds that were part of this audit, except for the Trash fund which the actual expenditures exceeded the budget authority.

11. RELATED PARTY

The city was not aware of any related party transactions during the year of 2015.

12. PENSION PLAN

The City has five employees that participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for the employees covered by the System for 2015 and 2014 was \$187,589 and \$156,442, respectively and the City's total payroll for 2015 and 2014 was \$271,511 and \$246,553.

Covered employees are required by state statute to contribute 6% of their salary to the System. The City is required by statute to contribute 9.48% and 8.84% for 2015 and 2014 using the full funding method. The contribution requirement for the year ended December 31, 2015 and 2014 was \$30,667 and \$23,341, which consisted of \$11,149 and \$8,181 from the employee, and \$17,783 and \$13,830 from the City. The City also contributed \$1,735 for insurance.

13. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

14. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies. See Schedule of Insurance for details.

15. ADEQUACY OF UTILITY RATES

To determine whether the city was charging adequate rates for sewer, trash, water, and gas we calculated the operating ratio and debt service ratio as applicable. The target minimum for both of these ratios is 1.20 and 1.25 respectively. All minimums are met except for the Trash Fund and Gas Fund. Since this fund uses an outside contractor as long as the ratio is greater than one it is sufficient.

The Operating Ratio for the following funds is as follows:

	Water	Gas	Sewer	Trash
Operating Revenues	\$ 224,934	\$ 227,610	\$ 84,797	\$ 64,160
Operating Expenses	\$ <u>187,755</u>	\$ <u>219,953</u>	\$ <u>51,516</u>	\$ <u>61,891</u>
Operating Ratio	<u>1.20</u>	<u>1.03</u>	<u>1.65</u>	<u>1.04</u>

The Debt Service Ratio for the Sewer Fund is as follows:

Debt Service	Sewer Fund	Water Fund
Net Receipts	\$ (7,160)	\$ 13,487
Add Back:		
Debt Service	31,397	25,346
Transfer Out	<u>10,000</u>	
Available for debt service	\$ <u>34,237</u>	\$ <u>38,833</u>
Debt service	\$ <u>31,397</u>	\$ <u>25,346</u>
Debt Service Ratio	<u>1.46</u>	<u>1.53</u>

16. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

17. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through February 12, 2016, the date the financial statements were available to be issued. Except as stated in Note No. 6, there are no additional events or transactions that require adjustment to or disclosure in these financial statements.

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CITY OF LEBO, KANSAS

SCHEDULE OF SELECTED UTILITY STATISTICS YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
WATER STATISTICS:		
Number of customers	449	435
Gallons sold	19,548,600	20,337,100
Gallons purchased	20,696,000	23,406,000
Water loss percentage	5.54%	13.11%
Average monthly usage per customer	3,628	3,896
Charges for service	\$ 224,934	\$ 225,772
Average customer charge per month	\$ 41.74	\$ 43.25

CITY OF LEBO, KANSAS

SCHEDULE OF OTHER STATISTICS YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Population	940	940
Assessed Valuation	\$ 4,617,342	\$ 4,639,314
Mill Levy	31	31
Total Receipts	\$ 1,183,713	\$ 1,276,498
Total Disbursements	\$ 1,052,880	\$ 1,309,929
Bond Indebtedness	\$ 650,424	\$ 690,007
Receipts per Capita	\$ 1,259	\$ 1,358
Disbursements per Capita	\$ 1,120	\$ 1,394
Bond Indebtedness per Capita	\$ 692	\$ 734

CITY OF LEBO, KANSAS

SUMMARY INSURANCE IN FORCE YEAR ENDED DECEMBER 31, 2015

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	4/1/2016	Employers Mutual Casualty Company (EMCC)	\$4,480	2,000,000	Aggregate limit 100,000 Property damage limit 1,000,000 Personal injury limit 1,000,000 Advertising injury limit 5,000 Medical expense
Commercial Property	4/1/2016	EMCC	\$12,583	1,310,444	Building and personal property
Linebacker Coverage	4/1/2016	EMCC	\$1,726	1,000,000 2,000,000	Each loss Aggregate
Inland Marine	4/1/2016	EMMC	\$2,839	219,549	Equipment
Workers' Compensation	4/1/2016	EMCC	\$8,182	500,000 500,000 500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit
Business Auto	4/1/2016	EMCC	\$4,133	1,000,000 1,000,000	Liability Uninsured motorists
Data Compromise	4/1/2016	EMCC	\$370	25,000	Aggregate
Law Enforcement	4/1/2016	EMCC	\$935	1,000,000 2,000,000 5,000 1,000	Each loss Aggregate Medical Expense Deductible
Umbrella	4/1/2016	EMCC	\$8,380	8,000,000 8,000,000 8,000,000	Liability each loss Personal & Advertising Injury Aggregate